

Overview

Kansas state law (KSA 12-1770) provides that costs related to the redevelopment of an area designated as a blighted or a conservation area may be recovered through the use of Tax Increment Financing (TIF). The TIF mechanism dedicates the property tax revenue resulting from redevelopment (and assumed subsequent increased property values) toward repayment of the initial redevelopment cost.

State law (KSA 12-1771a) allows the City to fund the cleanup of an environmentally contaminated area through the use of a special type of TIF. Environmental tax increment financing involves the restoration of property values in a contaminated area to higher, pre-contamination levels, and capture up to 20 percent of the increment of property tax produced by the valuation increase to pay cleanup costs.

The economic TIFs comprise six separate redevelopment projects: East Bank, Old Town, and 21st & Grove, Old Town, Old Town Cinema, and Central & Hillside. Each of these projects provides TIF funding to defray the costs of infrastructure redevelopment and/or enhancements within the districts. The environmental TIFs address groundwater remediation projects and consist of two separate projects: Gilbert & Mosley, and the North Industrial Corridor.

Finance and Operations

Economic Development TIFs. The TIF funds are used to pay the debt service costs associated with bonds issued to finance the redevelopment costs in the districts. Redevelopment activities include: improvements to sidewalks; streets; curbs/gutters; street lighting; and other public infrastructure improvements and public amenities. The improvements help ensure that the areas remain vital components of the City's overall economic growth strategy.

The Economic Development Division of the Finance Department administers the economic TIFs. The Division assists in forecasting TIF revenue, as well as establishing the mechanism and schedule for debt repayment. Expenditures are largely debt service payments.

Environmental TIFs. TIF District #1 was established in 1991 to fund the clean-up of groundwater contamination in the Gilbert & Mosley area. At that time, the City entered into an agreement with the Kansas Department of Health and Environment (KDHE) whereby the City agreed to undertake the clean up and avoid the substantial cost and stigma associated with designation of the area as a Superfund site. Tax Increment Financing District #2 was established in January 1996 to fund the clean-up of groundwater contamination in the North Industrial Corridor (NIC) area.

After years of investigation and engineering the cleanup, the remediation system will be in operation in the fall of 2002. The remedial design approved by KDHE involves extraction and treatment of the contaminated groundwater. Additional public amenities, such as a public education facilities, are currently under consideration for the project.

Environmental TIF expenditures include legal and project consultant fees; laboratory costs; KDHE/EPA oversight costs; testing/sampling materials; remediation capital and operational costs; debt service; and administrative costs. City staff and legal advisors continue their efforts to ensure that Potentially Responsible Parties (PRP) reimburse the City for as much of the projects' costs as possible.

Gilbert & Mosley remediation activities are not projected to be complete within the 20-year time period during which TIF funding can be legally made available. City staff are currently exploring options for addressing the statutory 20-year limitation, which could include petitioning the Kansas State Legislature for a waiver or extension of the deadline, or re-establishing the district upon its expiration.



The Gilbert and Mosley Groundwater Remediation Project will treat contaminated groundwater from the central urban area of Wichita that has been contaminated with chlorinated solvents. The groundwater remediation system consists of 5.5 miles of conveyance piping, 13 extraction wells, and a hydraulic-venturi air stripper treatment system to limit the spread of the contaminated groundwater and to remove the contamination.

The remediation facility will begin cleaning contaminated water pumped to the site in mid-year 2002. The water will be cleaned to standards suitable for use in fountains and aquariums, and returned to the river.

The North Industrial Corridor TIF is in the remedial investigation phase, whereby testing and sampling is done to determine the extent of contamination. KDHE now requires that this phase should include preliminary identification of PRPs, and in this TIF, initial payment for some of the remediation costs from one PRP has already been received.

Certificates of release of liability have been issued for many of the properties within the NIC site. The releases promote fairness by ensuring that those proven not responsible for contamination in the district are not burdened with legal difficulties of proving their lack of culpability.

Tax Increment Financing Funds Budget Summary

	2001 Actual	2002 Adopted	2002 Revised	2003 Adopted	2004 Approved
Gilbert & Mosley TIF Fund Revenue	4,415,648	7,135,730	4,945,730	6,494,230	2,927,410
Gilbert & Mosley TIF Fund	3,811,838	7,132,850	4,403,850	3,666,530	3,430,730
NIC TIF Fund Revenue	1,533,811	1,355,630	1,562,820	3,204,200	3,259,520
NIC TIF Fund Expenditures	935,487	1,336,330	2,009,320	3,251,220	3,118,230
East Bank TIF Fund Revenue	6,568	463,100	4,950	5,000	571,560
East Bank TIF Fund Expenditures	6,568	463,100	4,950	5,000	571,560
Old Town TIF Fund Revenue	351,343	210,290	347,980	359,570	371,080
Old Town TIF Fund Expenditures	265,840	210,290	220,170	221,160	229,130
21 st & Grove TIF Fund Revenue	22,673	134,020	21,790	21,770	22,020
21 st & Grove TIF Fund Expenditures	22,670	134,020	21,790	21,770	22,020
Central & Hillside TIF Fund Revenue	0	0	0	0	1,143,800
Central & Hillside TIF Fund Expenditure	0	0	0	0	1,143,800
Old Town Cinema TIF Fund Revenue	0	0	0	73,320	204,740
Old Town Cinema TIF Fund Expenditure	0	0	0	73,320	204,480
Total FTE positions	1	1	1	2	2